

Decision **PROPOSED DECISION OF COMMISSIONER PEEVEY**
(Mailed 11/16/2012)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to establish policies and rules to ensure reliable, long-term supplies of Natural Gas to California.

Rulemaking 04-01-025
(Filed January 22, 2004)

**DECISION REGARDING THE PETITION FOR MODIFICATION OF
DECISION 04-09-022****1. Summary**

On June 4, 2012, a petition for modification of Decision (D.) 04-09-022 was filed by the Core Transport Agent Consortium, and Shell Energy North America (US), L.P., collectively referred to as the “petitioners.” The petition for modification seeks to modify the requirement in D.04-09-022 that Pacific Gas and Electric Company (PG&E) hold between 962 and 1058 million cubic feet per day (MMcfd) of interstate pipeline capacity for the core during the winter. The petitioners request that this requirement be replaced with the requirement that PG&E hold interstate capacity in an amount equal to between 100% and 120% of PG&E’s forecast daily bundled core demand. The petitioners’ principal reasons for requesting this change is due to the reduction in PG&E’s bundled core demand, and to reduce pipeline capacity costs for PG&E’s core gas customers.

One of the arguments the petitioners make as to why PG&E’s core interstate pipeline capacity holdings should be reduced is that core transport agents (CTAs) are required by D.03-12-061 to take or pay for their pro rata share

of PG&E's core interstate pipeline capacity. Since the CTAs believe that PG&E holds excess core capacity, the requirement in D.03-12-061 results in the CTAs having to pay for unneeded capacity. In view of that, the petitioners filed a petition for modification of D.03-12-061 raising the same arguments as it did in its petition for modification of D.04-09-022.

Although both petitions for modification concern interrelated issues, two separate decisions are needed since each petition for modification involves a separate proceeding. Accordingly, this decision only addresses the petition for modification of D.04-09-022. We anticipate considering a separate decision addressing the petition for modification of D.03-12-061 concurrently with this decision.

This decision grants the petition for modification of D.04-09-022, but not in the manner or degree to which the petitioners have requested. Instead, PG&E's winter capacity planning range shall be modified on an interim basis, effective January 1, 2013, by reducing the range to 900 to 1000 MMcfd.¹ PG&E will also be required to file a new application within six months of the effective date of today's decision on whether PG&E's core capacity planning range should be further revised.

2. Background

Decision (D.) 03-12-061 addressed and resolved issues concerning the continuation of the Gas Accord market structure and terms and conditions of service for Pacific Gas and Electric Company's (PG&E) natural gas transmission and storage system. In that decision, the Commission adopted the requirement

¹ The 900 MMcfd is equivalent to 918 thousand decatherms per day (MDthd), and the 1000 MMcfd is equivalent to 1020 MDthd.

that once participation in the Core Aggregation Transportation program reached 10% or more of peak core loads, that core transport agents (CTAs) could no longer reject their pro rata assignments of core transmission and storage capacity. Prior to D.03-12-061, the CTAs were free to reject their pro rata share of core interstate pipeline capacity without any financial consequence.

D.04-09-022 was the result of Order Instituting Rulemaking (R.) 04-01-025. R.04-01-025 was initiated by the Commission in 2004 when it became concerned there might be insufficient supplies of natural gas and/or infrastructure to meet the future needs of residential and business consumers. Phase I of R.04-01-025, from which D.04-09-022 issued, was categorized as quasi-legislative (*see* June 18, 2004, Phase I scoping memo).

One of the issues raised by the rulemaking was the sufficiency of interstate pipeline capacity for core customers. D.04-09-022 adopted core capacity planning ranges for PG&E, as well as for Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E). No hearings were held on the issues addressed by D.04-09-022.

For PG&E, the Commission adopted a core capacity planning range of 962 million cubic feet per day (MMcfd) to 1058 MMcfd during the winter months, and for the summer months the lower end of the capacity planning range was set at 90% of the forecasted average demand. (D.04-09-022 at 35, 88, Findings of Fact 23 and 24.)

In D.11-04-031, the latest decision addressing PG&E's gas transmission and storage system, the Commission adopted the CTA settlement. Under that settlement, PG&E and a number of CTAs agreed to a three year transition period to phase-in the full cost sharing requirement for the core capacity the CTAs elect not to use. Another part of the CTA settlement allows the CTAs to file a petition

or application to modify “Commission decisions setting storage and pipeline capacity holding levels for core customers on the PG&E system.” (D.11-04-031, Appendix B.)

On June 4, 2012, the petitioners filed their petition for modification of D.04-09-022, and their petition for modification of D.03-12-061. The Division of Ratepayer Advocates (DRA), and PG&E filed separate responses to both petitions. The petitioners filed a reply to the responses on July 20, 2012.

3. Issue Presented

The issue before us in this decision is whether the capacity planning range that was adopted for PG&E in D.04-09-022 should be changed.

The petitioners seek to replace the winter capacity planning range of 962 to 1058 MMcfd, which was adopted in D.04-09-022, with a range where the lower end of the range is set at the annual average daily amount, and the upper end of the range is set at 120% of the annual average daily amount.

4. Position of the Parties

4.1. Petitioners

The petitioners contend that the capacity planning range adopted for PG&E in D.04-09-022 exacerbates the take-or-pay problem that is the subject of their petition for modification of D.03-12-061. According to the petitioners, the capacity planning range established for PG&E in D.04-09-022 is set too high, which results in PG&E acquiring unneeded interstate pipeline capacity for the core. When the CTAs are assigned their pro rata share of this core capacity, they are required by D.03-12-061 to use and pay for this capacity, or pay for their pro rata share of the capacity that the CTAs do not use. Since PG&E holds excess core capacity, the petitioners contend that they, as well as other core customers, are paying for unneeded capacity.

The petitioners request that D.04-09-022 be modified by replacing the 962 to 1058 MMcfd capacity range with a capacity range of between 100% and 120% of PG&E's forecast bundled core capacity demand.² The petitioners point out that the capacity planning ranges established for SoCalGas and SDG&E in D.04-09-022 "allowed SoCalGas and SDG&E to procure between 100% and 120% of their annual average daily core portfolio demand," which provides them with the flexibility to adjust "their interstate capacity holdings as volumes change." (Petition for Modification of D.04-09-022 at 11.) Due to the numerical range that was adopted for PG&E, the petitioners contend that "PG&E is unable to make any changes to reflect the reality of increases or decreases in its bundled core demand." (*Ibid.*) The petitioners also note that although D.04-09-022 contemplated that PG&E's capacity planning range would be for an interim period "until more definitive forecasts are reviewed and approved," no updated forecasts have been submitted. (*Ibid.*; D.04-09-022 at 34.)

The petitioners contend that their modification of D.04-09-022 "will allow PG&E to reduce costs over time for bundled core customers." (Petition for Modification of D.04-09-022 at 12.) The petitioners estimate that their proposed change could eventually result in an estimated savings of \$20.2 million per year for PG&E's bundled core customers. The petitioners request that the Commission grant both petitions by the end of November 2012 so that PG&E will have sufficient time "to relinquish all or a portion of its expiring capacity under current interstate pipeline contracts," beginning with the Transwestern pipeline holdings in March 2013. (*Id.* at 4, Exhibit 1.)

² The specific language changes that the petitioners recommend be made to D.04-09-022 is attached to their petition.

The petitioners also contend that reducing PG&E's capacity planning range will not jeopardize core service reliability due to several reasons. First, petitioners state there is an abundance of interstate pipeline capacity available in California. Second, according to petitioners, potential capacity problems can be identified and remedied ahead of time because the amount of pipeline capacity is closely monitored through the California Gas Reports and periodic natural gas assessments from the California Energy Commission. Third, petitioners argue that the opportunity for PG&E to relinquish interstate pipeline capacity will occur over several years, which will reduce the risk that there will be a loss of interstate capacity. And fourth, petitioners believe their requested modifications to D.04-09-022 will not change or eliminate any gas storage requirements.

The petitioners contend that the issue of excess interstate pipeline capacity in this petition, and the opt-out issue in their petition for modification of D.03-12-061, should not be deferred to the next gas transmission and storage application, which is expected to be filed in February 2014, or to a future cost allocation proceeding. The petitioners assert that resolving these issues now can help to reduce core rates, and reduce stranded costs.

4.2. Division of Ratepayer Advocates

DRA recommends that the petition for modification of D.04-09-022, as well as the petition for modification of D.03-12-061, be denied. DRA contends that the "petition is without merit and should be denied because it is not supported by the record and fails to provide facts, data and analysis for the very assertions that form the basis of the proposed modification." (DRA Response at 2.) DRA recommends that the petition be denied, and that the issues raised by the petitioners be addressed in PG&E's next gas transmission and storage rate case application, which is expected to be filed in February 2014.

One of the arguments that the petitioners make is that PG&E holds interstate capacity that is equal to at least 141% of the core demand it actually serves, and that this excess pipeline capacity artificially inflates PG&E's core procurement charges. DRA contends that the petitioners have not provided "any information on PG&E's historical and forecast average daily core demand and the corresponding amount of core demand served by the CTAs to support this assertion." (DRA Response at 3-4.) DRA contends that the facts about the pattern and level of PG&E's average daily core demand must be demonstrated before any decision is modified. Since D.04-09-022 envisioned that the capacity ranges adopted in that decision would be revisited, DRA recommends that the issues raised by the petitioners should be addressed in PG&E's February 2014 application addressing its gas transmission and storage operations.

4.3. PG&E

PG&E contends that the petitioners seek to eliminate, or opt out of, the requirement in D.03-12-061 that CTAs "assume financial responsibility for a pro rata share of all long-term interstate pipeline capacity held for core customers by PG&E under Commission-approved contracts."³ (PG&E Response at 1.) As part of their strategy to attain that objective, the petitioners seek to modify D.04-09-022 by reducing the long term capacity commitments established

³ PG&E contends that PG&E's bundled core customers have been subsidizing the CTAs' pro rata share of the interstate capacity costs for over 14 years, and that this subsidy ended with the requirement adopted in D.03-12-061. This cost responsibility of the CTAs was also recognized in the CTA settlement that was adopted in D.11-04-031, which PG&E contends modified the cost responsibility requirement in D.03-12-061 by providing the "CTAs with an additional three-year transition period before assuming their full pro rat[a] cost responsibility for interstate pipeline capacity." (PG&E Response at 2.)

in that decision for PG&E. In doing so, PG&E contends that the petitioners fail to consider how the core capacity holdings in D.04-09-022 benefit long term supply reliability, gas price stability, and contract flexibility.

PG&E recommends that the petition for modification of D.04-09-022, as well as the petition for modification of D.03-12-061, be denied for the reasons set forth below.

First, PG&E contends that the petitioners failed to justify the late submission of their petition, and that the petition should be summarily dismissed pursuant to Rule 16.4(d) of the Commission's Rules of Practice and Procedure. Three of the reasons cited by the petitioners as to why the petition was filed more than one year after D.04-09-022 was issued was because of the decrease in PG&E's bundled core portfolio demand, the CTA market share did not exceed 10% until sometime in 2010, and the CTA settlement adopted in D.11-04-031 had not yet been issued. PG&E contends, however, that the petitioners knew of these circumstances since at least August 2010 when the CTA settlement was being developed, and that the petition could have been filed earlier.

PG&E's second reason as to why the petition for modification of D.04-09-022 should be denied is that there is no evidence or other support as to why PG&E's capacity planning range that was adopted in D.04-09-022 should be changed to a formula similar to what was adopted for SoCalGas and SDG&E. PG&E contends that there are substantial factual differences between the gas systems and markets in northern and southern California, and that the CTAs' market share in southern California is only about 2.6% as compared to about 13% of total core volumes in northern California. PG&E contends that if the CTAs' cost responsibility requirement in D.03-12-061 is eliminated, and the capacity

planning range for PG&E is modified in D.04-09-022 as suggested by the petitioners, that this will shift the cost burden of holding core interstate capacity to PG&E's remaining core bundled customers, and "may reduce the reliability of supply for all customers, core and noncore, on PG&E's system." (PG&E Response at 10.)

PG&E also contends that the contract approval process established in D.04-09-022 allows for changes to PG&E's core capacity holdings. In addition, PG&E contends that the policy and rules behind D.04-09-022 were to "ensure adequate, reliable, and reasonably-priced natural gas supplies for California's consumers, which would be accomplished by a diversified interstate pipeline capacity portfolio with staggered terms." (PG&E Response at 7-8.)

PG&E also contends that the petitioners' estimate of potential savings of \$20.2 million is "overstated as offsetting revenues are generated through capacity release or gas sales when the capacity is not used to serve demand." (PG&E Response at 12.)

Since the petition for modification of D.03-12-061 is tied to the petition to modify PG&E's capacity planning range in D.04-09-022, PG&E also makes several arguments as to why D.03-12-061 should not be modified. Those arguments are described in the other decision addressing the petition for modification of D.03-12-061.

5. Discussion

The first issue to address is whether the petitioners have adequately explained why their petition for modification of D.04-09-022 was not filed within one year of the effective date of the decision. If the petitioners failed to do so, the Commission may summarily deny the petition. (*See* Rules of Practice and Procedure, Rule 16.4.(d).)

The petitioners explained in their petition that the “issues giving rise to this Petition presented themselves only recently in light of the substantial decrease in PG&E’s bundled core portfolio demand, the increase in interstate pipeline capacity available in California, the increase in CTA market share on PG&E’s system, and the recent Gas Accord V Settlement.” (Petition for Modification of D.04-09-022 at 3.) Attached to the petition was a declaration which explained that: in the past six years, PG&E’s average daily core demand had decreased to below 800 MMcfd, with the recorded average daily core demand averaging 782 MMcfd from 2006-2010; there has been an increase in interstate pipeline capacity available to serve California since 2001; and the CTA market share on PG&E’s system has increased from zero in 1991 to about 13% as of June 2012. The petition also acknowledged that D.11-04-031 adopted the CTA settlement which “modified the pipeline cost responsibility provision adopted” in that decision. (*Id.* at 6.)

The lower core demand did not occur until the 2006 to 2010 timeframe, and the 10% trigger, as established by D.03-12-061, was not reached until around 2010. In addition, the CTA settlement, which the petitioners and PG&E agree modified the CTA’s cost responsibility for their pro rata share of core interstate pipeline capacity, was not issued until April 2011. Based on all of those circumstances, we agree with the petitioners that they have adequately explained why the petition was not filed sooner. Thus, we proceed to address the merits of the petition for modification of D.04-09-022.

The situation that we are presented with in the petition for modification of D.04-09-022 is distinguishable from the situation presented in the petition for modification of D.03-12-061. Here, the petitioners are requesting that PG&E’s numerical capacity planning range be modified so that it results in a lower

capacity planning range. In the petition for modification of D.03-12-061, the petitioners seek to reverse the CTA cost responsibility requirement and to allow the CTAs to opt out of the core interstate pipeline capacity that PG&E plans to procure. The petition for modification of D.03-12-061 would cause us to rethink various interrelated elements of core aggregation transportation. In the petition that is before us, the more narrow issue is whether PG&E's capacity planning range should be lowered. Unlike the petition for modification of D.03-12-061, the petitioners here are not asking to eliminate PG&E's capacity planning range. Accordingly, we proceed with an analysis as to whether the petitioners' request to modify PG&E's capacity planning range should be granted or denied.

According to the petitioners, they seek to modify D.04-09-022 because the historical data from 2006 to 2010 shows that "PG&E's average daily core demand has decreased from an expected 829 [MMcfd] in 2006 to below 800 [MMcfd], with recorded average daily core demand averaging 782 [MMcfd] from 2006-2010." (Petition for Modification of D.04-09-022 at 9, Exhibit 3.)⁴ PG&E did not dispute this data in PG&E's response to the petitioners, but it did point out that the capacity planning range established in D.04-09-022 for PG&E provides all customers with "a measure of supply reliability, gas price stability, and contract flexibility," which was one of the objectives of D.04-09-022. (*Id.* at 8, 12.)

Based on the data presented by the petitioners, it appears that PG&E's total core interstate pipeline capacity holdings at this point in time exceed the current core demand of PG&E's customers. This excess capacity appears to be the result of the capacity planning range that was adopted for PG&E in

⁴ An overview of the "Overall Supply/Demand Balance in the California Natural Gas Market" was also attached to the petition.

D.04-09-022, and the subsequent decline in demand by PG&E's core customers. However, as PG&E points out, the petitioners overlook that D.04-09-022 sought to ensure having reliable supplies of natural gas enter into California, and that part of this strategy was to have "diversified interstate pipeline capacity portfolios, with staggered terms...." (D.04-09-022 at 2.) As evidenced by Exhibit 1 of the petition for modification of D.04-09-022, PG&E has a diverse set of pipeline capacity holdings with staggered expiration dates.

The petitioners point out that PG&E's excess capacity holdings result in higher costs to its core customers, including the CTAs. The petitioners also point out that PG&E has not sought to lower its core capacity holdings through the advice letter process as contemplated in D.04-09-022.⁵ The petition seeks to remedy those problems by requesting that D.04-09-022 be modified to replace the numerical range that was adopted with a percentage formula based on the average daily amount. If the petitioners' recommended modifications are granted, that would have the effect of lowering PG&E's capacity planning range, and reduce PG&E's core interstate pipeline holdings over time.

Based on the above considerations, we conclude that the June 4, 2012 petition for modification of D.04-09-022 should be granted as follows. PG&E's winter capacity planning range shall be modified on an interim basis, effective January 1, 2013, but not in the manner or to the degree which the petitioners seek. Reducing the winter capacity planning range to 900 MMcfd (918 MDthd)

⁵ D.04-09-022 provides for the review of the capacity planning range through the advice letter process or in the cost allocation proceeding. (D.04-09-022 at 29, 92, Conclusion of Law 6.) We note that PG&E's gas transmission and storage proceeding may be a better venue than the cost allocation proceeding to review interstate pipeline capacity holdings.

to 1000 MMcfd (1020 MDthd) will provide PG&E with sufficient lead time to plan for and to execute a reduction in its core interstate pipeline capacity holdings. Core customers will not be harmed by the reduction in capacity, as it will take PG&E a period of time to fully execute. In addition, today's reduction of PG&E's capacity planning range to a lower amount will reduce the cost of interstate pipeline capacity to PG&E's core customers over time as less capacity is procured by PG&E.⁶

Since it will take some period of time for PG&E to achieve the lower core capacity planning range, this will provide sufficient time for the Commission to review whether PG&E's core capacity planning range should be further revised. To provide for this review, PG&E will be required to file a new application within six months of the effective date of today's decision on whether PG&E's core capacity planning range should be further revised in light of the lower core demand and forecasts of future core demand, as well as the policy objectives of D.04-09-022 of ensuring reliable, long term gas supplies.

PG&E's application shall include a forecast of its future core gas demand over the next 10 years, its historical core load from 2005 through 2012, its recommendation as to how it plans to meet core gas demand over the next 10 years, whether it believes there is sufficient interstate pipeline capacity to meet that core gas demand, and its recommendation for what kind of formula or

⁶ We estimate that once this lower interim winter capacity planning range is fully implemented, that core customers will save about \$9 million annually. (\$9 million = $\{141.3/962=.147\}$; $\{.147 \times 900=132.3\}$; $\{141.3-132.3=\$9 \text{ million}\}$.) (See Petition for Modification of D.04-09-022 at 12.)

numerical range should be adopted by the Commission to ensure that there is sufficient interstate pipeline capacity for the core.

Accordingly, D.04-09-022 should be modified by inserting the following paragraph, after the sentence at page 35 which reads: “As with SoCalGas and SDG&E, we expect PG&E to efficiently manage its interstate pipeline capacity needs and costs within the specified range during both peak and off-peak periods”:

Effective January 1, 2013, PG&E’s winter capacity planning range shall be reduced on an interim basis to reflect lower core gas demand forecasts. On an interim basis, PG&E’s capacity planning range for the winter months shall be 900 MMcfd (918 MDthd) to 1000 MMcfd (1020 MDthd). PG&E’s summer capacity planning range shall remain unchanged. PG&E shall be required to file an application within six months of the effective date of D.12-12-____, which granted the June 4, 2012 petition for modification of D.04-09-022. That application shall propose a new core interstate pipeline capacity planning range or formula for PG&E. In proposing its new core capacity planning range or formula, PG&E shall consider the policy expressed in D.04-09-022 of ensuring reliable, long term gas supplies, as well as historical core gas demand and future forecasts of core gas demand. The interim winter capacity planning range adopted in D.12-12-____, as well as the summer capacity planning range adopted in D.04-09-022, may be revised as a result of a decision on PG&E’s application proposing the new core capacity planning range or formula.

Today’s decision should be effective immediately.

6. Comments on Proposed Decision

The proposed decision of President Michael R. Peevey in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.2 of the Commission’s Rules of Practice and Procedure. Opening comments on the proposed decision were filed by the petitioners, PG&E, and Gas Transmission Northwest LLC. Reply

comments were filed by the petitioners and PG&E. All of the comments have been considered, and appropriate changes have been made to this decision.

7. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and John S. Wong is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. D.04-09-022 was the result of the Commission's concern that there might be insufficient supplies of natural gas and/or infrastructure to meet the future needs of residential and business customers.

2. For PG&E, D.04-09-022 adopted a core capacity planning range of 962 to 1058 MMcfd during the winter months, and for the summer months the lower end of the capacity planning range was set at 90% of the forecasted average demand.

3. The CTA settlement that was adopted in D.11-04-031 provides for a three year transition period to phase-in the full cost sharing requirement for the core capacity the CTAs elect not to use, and allows the CTAs to file a petition or application to modify Commission decisions setting storage and pipeline capacity holding levels for core customers on the PG&E system.

4. The petitioners seek to replace the winter capacity planning range of 962 to 1058 MMcfd with a range where the lower end of the range is set at the annual average daily amount, and the upper end of the range is set at 120% of the annual average daily amount.

5. The petitioners have adequately explained why their petition for modification of D.04-09-022 was not filed within a year of the effective date of D.04-09-022.

6. The petition before us in this decision is distinguishable from the petition for modification of D.03-12-061 because this petition presents the more narrow issue of whether PG&E's capacity planning range should be lowered, and the petitioners are not asking to eliminate PG&E's capacity planning range.

7. The petitioners presented information which shows that from 2006 to 2010, PG&E's average daily core demand decreased from an expected 829 MMcfd in 2006 to below 800 MMcfd, with recorded average daily core demand averaging 782 MMcfd from 2006-2010.

8. At this point in time, it appears that PG&E's total core interstate pipeline capacity holdings exceed the current core demand of PG&E's customers, and that this excess capacity appears to be the result of the capacity planning range that was adopted for PG&E in D.04-09-022 and the subsequent decline in demand by PG&E's core customers.

9. D.04-09-022 sought to ensure having reliable supplies of natural gas enter into California, and that part of this strategy was to have diversified interstate pipeline capacity portfolios with staggered terms.

10. As evidenced by Exhibit 1 of the petition, PG&E has a diverse set of pipeline capacity holdings with staggered expiration dates.

11. PG&E has not sought to lower its core capacity holdings through the advice letter process.

12. If the petitioners' recommended modifications are granted, that would have the effect of lowering PG&E's capacity planning range, and reduce PG&E's core interstate pipeline holdings over time.

13. Reducing the winter capacity planning range to 900 MMcfd to 1000 MMcfd will provide PG&E with sufficient lead time to plan for and to execute a reduction in its core interstate pipeline capacity holdings.

14. Core customers will not be harmed by the reduction in capacity as it will take PG&E a period of time to fully execute.

15. Today's reduction of PG&E's planning capacity range to a lower amount will reduce the cost of interstate pipeline capacity to PG&E's core customers over time as less capacity is procured by PG&E.

Conclusions of Law

1. The June 4, 2012 petition for modification of D.04-09-022 should be granted, and D.04-09-022 at page 35 should be modified as set forth in the ordering paragraph below.

2. PG&E should be required to file a new application within six months of the effective date today's decision on whether PG&E's core capacity planning range should be further revised.

3. This order should be effective immediately.

O R D E R

IT IS ORDERED that:

1. The June 4, 2012 "Petition of the Core Transport Agent Consortium and Shell Energy North America (US), L.P. for Modification of Decision 04-09-022" is granted as discussed in this decision, and as set forth in Ordering Paragraph 2 below.

2. Decision 04-09-022 at page 35 shall be modified by inserting the following paragraph after the sentence which reads "As with SoCalGas and SDG&E, we expect PG&E to efficiently manage its interstate pipeline capacity needs and costs within the specified range during both peak and off-peak periods":

Effective January 1, 2013, PG&E's winter capacity planning range shall be reduced on an interim basis to reflect lower core gas demand forecasts. On an interim basis, PG&E's capacity planning range for the winter months shall be 900 MMcfd (918 MDthd) to 1000 MMcfd (1020 MDthd). PG&E's summer capacity planning range shall remain unchanged. PG&E shall be required to file an application within six months of the effective date of **D.12-12-____**, which granted the June 4, 2012 petition for modification of D.04-09-022. That application shall propose a new core interstate pipeline capacity planning range or formula for PG&E. In proposing its new core capacity planning range or formula, PG&E shall consider the policy expressed in D.04-09-022 of ensuring reliable, long term gas supplies, as well as historical core gas demand and future forecasts of core gas demand. The interim winter capacity planning range adopted in **D.12-12-____**, as well as the summer capacity planning range adopted in D.04-09-022, may be revised as a result of a decision on PG&E's application proposing the new core capacity planning range or formula.

3. Within six months of the effective date of today's decision, Pacific Gas and Electric Company shall file an application proposing a new core interstate pipeline capacity planning range or formula, as well as the other information described in this decision.

4. Rulemaking 04-01-025 is closed.

This order is effective today.

Dated _____, at San Francisco, California.